

Message Text

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FM SECSTATE WASHDC

TO USCINCSO

S E C R E T STATE 165655

FOLLOWING REPEAT SECSTATE 165655 SENT A ACTION IMMEDIATE
BRASILIA 14 JUL 1975

QUOTE

S E C R E T STATE 165655

E.O. 11652: GDS

TAGS: PFOR, BR, US

SUBJECT: PRINCIPAL DECISIONS ADOPTED AT PRE-IG MEETING
ON FY76 AND FY-77 CASP

1. DISCUSSION AT PRE-IG CONCENTRATED PRIMARILY ON THE
MAJOR ISSUES SECTION. A SUMMARY OF DECISIONS ON EACH
ISSUE IS GIVEN IN PARAGRAPHS 2-5.

2. ISSUE NO. 1-NUCLEAR COOPERATION - IT WAS AGREED TO
REDRAFT AS NECESSARY TO REFLECT LATER DEVELOPMENTS,
ESPECIALLY WITH RESPECT TO FRG-BRAZIL AGREEMENT, A
D TO
BROADEN FOCUS OF ISSUE TO REFLECT MORE EXPLICITLY THE
TIE-IN BETWEEN BILATERAL NUCLEAR COOPERATION (OR THE LACK
THEREOF) AND OUR OVERALL EFFORTS TO ESTABLISH A MATURE
AND RESPONSIVE RELATIONSHIP WITH BRAZIL. ACDA SUGGESTED
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WE SHOULD TRY TO COMPILE A BETTER BASE OF INFORMATION ON
BRAZIL'S ENERGY NEEDS AND RESOURCES AS A BASIS FOR
DETERMINING WHETHER AND WHERE USG MIGHT OFFER COOPERATION
AND ENCOURAGEMENT FOR BRAZILIAN DEVELOPMENT OF NON-NUCLEAR,

AS WELL AS NUCLEAR, RESOURCES. THE PROPOSAL TO OFFER PNE SERVICES (RECOMMENDATION 6) WAS THE SUBJECT OF SOME DISCUSSION, WITH MOST INTERESTED OFFICES FAVORING A LESS DEFINITE PROJECTION OF USG ACTION IN THIS REGARD. IT WAS AGREED THAT THE INTERESTED FUNCTIONAL OFFICES AND ARA/BR WOULD DEVELOP SOME AMENDMENTS AND ADDITIONS TO THIS ISSUE

DISCUSSION.

3. ISSUE NO. 2 - GENERAL TRADE AND INVESTMENT OUTLOOK: IT WAS SUGGESTED BY ARA/BR THAT THIS ITEM BE DROPPED AS A MAJOR ISSUE, THE RATIONALE BEING THAT IT WAS VERY BROADLY WORDED AND THAT THE ANALYSIS PAGES 22 TO 28 DID NOT DEMONSTRATE CHALLENGES OR ENVIRONMENTAL CHANGES GREAT ENOUGH WITHIN THE CASP TIME FRAME TO WARRANT REVIEW AS AN ISSUE. THERE WERE ALSO OBJECTIONS (FROM ARA/BR, COMMERCE AND TREASURY) TO SEVERAL OF THE RECOMMENDED ACTIONS UNDER ISSUE 2, ESPECIALLY THE PROPOSAL TO TAKE INITIATIVE IN SETTING UP MEETINGS WITH US BUSINESS EXECUTIVES (RECOMMENDATION 1) AND "ACTIVE SUPPORT" OF US INVESTORS IN SECTORS OF RAPID GROWTH AND SECTORS PRODUCING RAW MATERIALS NEEDED BY US (RECOMMENDATION 2). IN GENERAL TERMS, THESE OBJECTIONS (WHICH MIGHT ALSO HAVE BEEN MET BY REWORDING OR SELECTIVE DELETIONS) REFLECTED UNEASINESS OVER WHAT COULD APPEAR TO BE INAPPROPRIATE USG INVOLVEMENT IN BUSINESS DECISIONS OF AMERICAN COMPANIES. THUS, FOLLOWING DISCUSSION, GROUP UNANIMOUSLY AGREED TO DELETE ENTIRE ISSUE, WITH RECOMMENDATION 4 ON BILATERAL CONSULTATIONS TO BE INSERTED UNDER "WORLD ORDER" OR "US ECONOMIC PROSPERITY."

4. ISSUE NO. 3 - TRADE ACT: NO MAJOR CHANGES WERE PROPOSED, EXCEPT FOR RESTATEMENT OF ISSUE, PROPOSED BY TREASURY, TO READ AS FOLLOWS: "HOW CAN WE ALLEVIATE BRAZIL'S FEARS THAT ITS CONTINUED EXPORT EXPANSION IS THREATENED BY CERTAIN PROVISIONS OF THE TRADE ACT?"

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5. ISSUES 4 AND 5: HUMAN RIGHTS AND MILITARY ASSISTANCE. ARA/PLC, SUPPORTED TO SOME EXTENT BY ARA/BR, PROPOSED COMBINING THESE TWO ISSUES, ON THE BASIS THAT THE MILITARY ASSISTANCE PROGRAM, INCLUDING THE PROGRAM LEVELS PROPOSED, WAS AN ISSUE ONLY TO EXTENT THAT IT MIGHT BE QUESTIONED ON HUMAN RIGHTS GROUNDS. DOD OPPOSED COMBINING THE TWO ISSUES, ARGUING THAT SIZE AND SIGNIFICANCE OF MILITARY PROGRAM MERITED THE DETAILED EXPOSITION AND EXAMINATION PROVIDED BY ISSUE TREATMENT. FOLLOWING EXTENSIVE DISCUSSION THERE WAS FINAL AGREEMENT THAT THE ISSUES BE LEFT SEPARATE BUT THAT SOME REDRAFTING BE DONE TO TIE THEM TOGETHER MORE CLEARLY. THE MEETING DID NOT PRODUCE AN AGREED POSITION ON THE FMS LEVELS

FOR FY 76 AND FY 77 RECOMMENDED IN THE EMBASSY SUBMISSION. SOLE SPECIFIC DISSENT TO FUNDING FIGURES, AS SUCH, CAME FROM TREASURY, WHICH RESERVED ITS POSITION AND HAS SUBSEQUENTLY EXPRESSED ITSELF AS FAVORING MAINTENANCE OF THE PREVIOUSLY APPROVED LEVELS OF \$60 MILLION AND \$90 MILLION FOR RESPECTIVE FISCAL YEARS IN QUESTION, PENDING COMPLETION OF JCS STUDY ON BRAZIL'S POTENTIAL CONTRIBUTION TO US TOTAL FORCE CONCEPTS. (ARA HAS SUBSEQUENTLY RECONSIDERED ITS POSITION AND IS NOW PLANNING TO SUPPORT A LOWER LEVEL OF FMS CREDIT THAN THAT RECOMMENDED IN CASP SUBMISSION (I.E. \$75 AND \$90 MILLION VICE \$95 AND \$100 MILLION), IN BELIEF THAT REDUCED RATE OF INCREASE WILL REDUCE POSSIBILITY OF TRIGGERING STRONG ADVERSE CONGRESSIONAL REACTION AND RESTRICTIVE MOVES AGAINST BRAZIL PROGRAM ON HUMAN RIGHTS GROUNDS. DOD/ISA AND JCS MAINTAIN THEIR FULL SUPPORT OF ORIGINAL COUNTRY TEAM RECOMMENDATIONS, FEELING THIS REPRESENTS REASONABLE, THOROUGHLY STAFFED AND JUSTIFIED RESPONSE TO BRAZILIAN DEFENSE NEEDS, IS ESSENTIAL TO CONTINUING AND IMPROVING OUR RELATIONSHIPS WITH GOB MILITARY AND IS CONSISTENT WITH "SPECIAL RELATIONSHIP" CONCEPT APPLIED TO BRAZIL. SECOND PRE-IG HAS NOW BEEN SCHEDULED FOR JULY 23 TO DISCUSS THESE DIFFERING VIEWS.)

6. RE SECTION III, INTEREST, POLICY AND RESOURCE ANALYSIS, FOLLOWING WERE PROPOSED IN CONSULTATIONS PRIOR TO PRE-IG AND WERE APPROVED BY PRE-IG ACCEPTANCE. LIST OF PROPOSED CHANGES CIRCULATED AT MEETING:

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A) NEW OBJECTIVE 6 TO BE INSERTED UNDER WORLD ORDER PAGE 22: "ENCOURAGE BRAZIL TO DEVELOP ITS TIES WITH THE LUSITANIAN COMMUNITY AND USE ITS INFLUENCE TO PROMOTE PEACEFUL TRANSITION AND STABILITY IN THE FORMER PORTUGUESE DEPENDENCIES IN AFRICA," ESTIMATED RESOURCES BOTH BY 76 AND 77 (000).

B) ON PAGE 34, SUBPARAGRAPH C (ENERGY) SHOULD BE MOVED FROM "FAVORABLE DISPOSITION" INTEREST AND INSERTED UNDER APPROPRIATE ECONOMIC INTEREST OR NEW INTEREST COVERING BILATERAL CONSULTATION AND COOPERATION ON MULTILATERAL ISSUES". (THIS IS EXPECTED TO BE PLACED UNDER "US ECONOMIC PROSPERITY.")

C) ON PAGE 36, A NOTE IS TO BE ADDED AT CONCLUSION OF FINAL PARAGRAPH. "IG DECISION ON THIS LINE OF ACTION IS DEFERRED PENDING INTENSIVE AID STUDY OF LABOR PROGRAMS IN THE HEMISPHERE INCLUDING BRAZIL, SCHEDULED FOR COMPLETION BY LATE AUGUST, 1975."

7. COUNTRY TEAM COMMENTS WOULD BE APPRECIATED IN TIME FOR CONSIDERATION PRIOR TO JULY 23 MEETING. INGERSOLL UNQUOTE INGERSOLL

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